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LOS ANGELES

Convict in Yacht Sinking Wins Insurance Suit

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A Beverly Hills lawyer serving a federal prison term for scuttling his luxury yacht off the Italian coast in a multimillion-dollar insurance scam won a \$371,000 judgment Friday against two insurance companies that had canceled his \$8,200-a-month disability policies on grounds of fraud.

"This is the first fair trial I've had in federal court," Rex K. DeGeorge said after the jury returned a verdict in his favor.

The 66-year-old attorney was sentenced last year to 7 1/2 years in prison for sinking the yacht to collect on an inflated \$3.6-million insurance policy. He is appealing that.

DeGeorge has a history of filing questionable insurance claims. According to court records, he filed 32 claims with various insurance carriers from 1976 through 1990, including claims for three other yachts that disappeared or sank under mysterious circumstances.

In 1990, DeGeorge filed claims with the Equitable Life Assurance Society and the Paul Revere Life Insurance Co., contending he was totally disabled because of a heart condition and brain damage caused by an auto accident.

For the next nine years, he received \$8,200 a month in benefits under terms of his disability policies. But in 1999, the two insurance companies stopped all payments, alleging that he had faked the ailments and was continuing to work as a lawyer.

Equitable and Paul Revere also sued him in federal court to reclaim more than \$919,000 they had paid out. He countersued for the unpaid benefits.

After a three-week trial that ended Friday, the six-person civil jury decided that DeGeorge's claims were legitimate.

"We hope that this case sends a message to insurance companies that no matter who the insured is, they must pay what they agreed to pay or the jury will require it," said DeGeorge's lawyer, Peter Morris.

The jury also found that DeGeorge is still disabled, meaning that Equitable must resume paying him \$4,700 month for life. Paul Revere's coverage ended when he turned 65.

Thomas B. Ackland, who represented the two insurance companies during the trial before Magistrate Judge Jeffrey Johnson, said he would have to consult with his clients before deciding whether to appeal the verdict.

Jurors questioned afterward said they knew that DeGeorge had been convicted of fraud and perjury, although they were spared any details. They said there was little discussion of that during deliberations. Rather, they said, they based their decision largely on the testimony of physicians and psychologists in the case. They said the insurance companies' chief expert, a clinical psychologist, was unbelievable and distorted the facts

At the same time, the panelists were not enamored with DeGeorge. "We all felt he was getting away with something," said one juror, reflecting a sentiment expressed by several others. "But based on the evidence and based on the court's instructions on the law, we had no choice but to give him the money."

Collecting may not be so easy for DeGeorge, however. The U.S. attorney's office filed a lien against any award he might receive. As part of his sentence in the yacht scuttling case, DeGeorge was ordered to pay the government \$2.8 million in restitution. It has so far collected nothing.

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